



PRITCHARD

**WORKERS' EDUCATIONAL
ASSOCIATION**

**STUDIES FOR
TRADE UNIONISTS**

VOLUME 9 NUMBER 34 JUNE 1983

PRIVATISATION OF LOCAL GOVERNMENT SERVICES

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90p

ISSN 0307 2444

Privatisation of Local Government Services

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Published by the WEA, 9 Upper Berkeley Street, London W1H 8BY

Printed by David Green Printers Ltd, Kettering, Northants

Cover design by John Finn/Artworkers

Cover photograph by Carlos Augusto (IFL).

1: Introduction

The aim of this booklet is to examine the Conservative Government's claim that the private provision of goods and services is always cheaper and more efficient than when provided by the public sector. Privatisation is based on the view that only by excluding the State and turning all economic activity over to the free market can society's needs be met. We argue that this is not the case; rather, that the market more often than not operates against working people's interests. We feel that in order to take on the hallowed truths of monetarism it is necessary to challenge the assumptions behind the theory; to ask what is meant by efficiency, how do you measure cost, and how best is the public interest served?

To begin with we provide the reader with an overview of economic policy since the war; policy which sought the achievement of growth, full employment and price stability. We then deal with the recent break with this so-called Keynesian orthodoxy, and look at the rebirth of free market or monetarist theories and policies: a trend which began with the 1974-1979 Labour administration, and set in with a vengeance after the election in 1979. Although the main emphasis of this booklet is on privatisation at local government level, we shall also touch on the recent attempt to denationalise State industries such as oil, telecommunications and the docks, in order to demonstrate that the same set of principles underpin all the government's moves towards the marketisation of the UK economy.

Errors the last time around

Similar policies to those now advocated by the Tories were practised in the 1920's and 1930's—with dire consequences. For the inter-war period will go down as a disaster for British capitalism and a tragedy for millions of working people. This is clearly reflected in Conservative, as well as Labour and Liberal writings of the time: writings which tended to be laced with apocalyptic visions of doom. The Baldwin and Chamberlain era can now be seen as a holding operation: politicians and economists clung to what they knew, and that was an essentially reactionary view, encompassing policies of balanced budgets, mass unemployment, minimal State intervention and wage cuts. At the time it was believed that these nostrums, of Montague Norman and the bankers, would provide a pragmatic, if not common sense response to the uncertainties of the depression years. Something, they prayed, would turn up; a sea change was always just around the corner, and indeed it was—in the form of Adolf Hitler and the Second World War.

Welfare Capitalism and the mixed economy

It was the war, coupled with the devastating experiences of the 1930's, which helped to promote, and make acceptable, the notion of the Welfare State and a State-managed economy. Not only were the policies of the immediate post-war period dominated by the thinking social reformers such as William Beveridge, but a new breed of reforming politician came to the fore. Politicians who, either out of their war-time experiences, or out of conviction, believed in extending the role of the State in social and economic matters. Politicians as diverse as Harold Macmillan, Rab Butler and Stafford Cripps all looked to the State as the main means of reorganising post-war industry. Rationalisation and concentration would mean that one major operator (it being immaterial whether it was

private or public) held a near monopoly position. National economic planning was then envisaged as coordinating the activities of these large dominating enterprises. It was believed that this strategy would ensure a re-vamping of domestic production with the result that low cost efficiently-produced British goods would begin to dominate the world market. Simultaneously a surplus would be generated which would facilitate the growth of the Welfare State.

These policies were characterised by a peculiarly British tendency towards gentle persuasion rather than through direct or repressive State interference. However, there was a strongly held belief that business should organize its production along functional rather than competitive lines, and that if the market could not achieve this end then it was the duty of the government to carry out the necessary reforms on capital's behalf. Likewise, if as had been the case in the 1930's, neither private enterprise, a weak State nor charity could generate adequate health, education or social provision, nor offer protection for the unemployed or pensioners, then it was deemed correct that the central or local state should do so.

Inter-party consensus on these matters was to hold for nearly thirty years. Conservative administrations rarely undid much of what Labour had created, whether in the field of social welfare policy or economic or industrial reorganisation. Labour, despite its commitments to clause IV, rarely extended nationalisation beyond helping the sick or lame sectors of industry. Clearly the defensive nationalisations of the post-war—reflecting the need to rebuild the railways, steel industry, gas, electricity, water and transport sector—had less to do with socialism and more to do with the rationalisation of capitalism. Indeed, at certain junctures it was the Conservatives who fell over themselves to nationalise, particularly when the collapse of certain key industries was seen as a threat to Britain's good name or to her defence capabilities.

Return to the market

However, the world economic crisis of the 1970's, resulted in a shift away from the view that State coordination of industry was the best method of organising capitalism. In turn the Welfare State came to be viewed less as a 'bulwark against Bolshevism' and more as a drain on productive enterprise. In response to what was seen as the failure of Keynesianism, old discredited free market theories were resuscitated, and presented as something new. Social welfare expenditure and State policies aimed at maintaining full employment, along with subsidies to industry, regional policy and re-deployment aid were all condemned by the new monetarists as policies which threatened Britain's very economic survival. A reorientation was deemed necessary, away from equality and fairness and towards the freedom and liberty offered by private enterprise. Privatisation, along with the 'necessity' of mass unemployment, allied to a desire to weaken the organised strength of the trade unions, became a central feature of the Conservative programme for economic recovery. Tragically the experiences of the 1930's—the insecurity and degradation of unemployment—were either forgotten or ignored in the scramble by both Conservative and Labour politicians as they fell in behind the monetarist bandwagon.

Private gain from the public purse

Interestingly what was also ignored were the advantages enjoyed by the private sector as a

result of the post-war interventionist policies. Profits in the private sector, from road haulage to farming, were underwritten by subsidies. The State consistently provided regional subsidies, free factory space, investment grants, depreciation allowances and transport subsidies to stimulate the growth of investment. The Welfare State was hardly a drain on enterprise, for not only did it provide a *self-funded working class support system*, it also created a fit, healthy and educated workforce—at almost zero cost to capital. Extensive benefits accrued to private capital in other ways: for example, as a result of the production, service and trading practices of the nationalised industries. The public sector also provided a market for the output of the private sector (from construction to electrical engineering), and low cost inputs to the private sector have been provided by the gas, electricity, water and telecommunication industries. Massive funds have flowed from the public purse into the pockets of the arms manufacturers, yielding ‘super-profits’. And finally there have been the windfall gains made by shareholders and stockmarket speculators when industries have been nationalised or de-nationalised (as a direct result of over-valued assets when the State buys in, and under-valuation when it sells out). And yet, despite the gains made by the private sector out of State involvement in the economic and social sphere, and regardless of the lessons of history, the old panaceas of free market economics have been dragged to the fore.

Free market policies

Attacks on the nationalised industries and local government have been accompanied by attempts to undermine the Welfare State, and reduce trade union controls over the labour market. A central feature of these policies has been an attack on social security claimants and the ideas of a right to non means-tested State support. Claimants have been hounded with all the parsimonious zeal of the nineteenth century workhouse master. The unemployed are not to be pitied and helped—as they bear the brunt and cost of capitalism’s ‘re-adjustment phase’—rather they are to be despised and castigated. Unemployed women with children are judged not according to whether they have a right to decently paid and rewarding work, but rather by a set of Rayner criteria (after Sir Derek Rayner, the Government’s efficiency huntsman) which state that unless they can guarantee they have child care arrangements they face exclusion from unemployment benefit and dependence upon means-tested benefits.

Legal and institutional reforms have been introduced with the aim of undermining the trade union movement’s ability to counter the excesses of their employers, and their ability to protect workers’ living standards. This drive against unions, and their ability to consolidate decent terms and conditions, has been accompanied by legislative reforms which have also dramatically undermined the position of non-unionised workers. Protection against unfair dismissal and unfair redundancy has been weakened, as has statutory support for the low paid and for part-time and casual workers, especially in the small firms sector. All of this is in line with government ideology which states incontrovertibly that decent wages create unemployment and that workers and capitalists must be free to choose in a labour market uninfluenced by monopoly trade unionists. The monopoly power of capitalists is ignored.

However, this is not the case as far as the nationalised industries and State enterprises are concerned. As with local authorities, State industries are viewed as inefficient, sluggish,

lacking in innovation and a shelter for the very worst trade union practices. The social welfare model of State capitalism has failed, according to the free market theorists. Alternative policies of de-nationalisation, a free labour market (free from unions and protective legislation) and privatised local authorities are viewed as the economy's only salvation.

Privatisation and De-nationalisation

In making out a case for de-nationalisation the Tories have made great play of the benefits which will accrue both to consumers and the workers in those newly privatised sectors. In the case of the National Freight Corporation at the time of its privatisation an issue was made of the fact that the shares were available to its employees, but this has been exceptional. Experience shows that former public assets have been snapped up by the powerful institutional investors. Cable and Wireless, as with Amersham International (formerly part of the UK Atomic Energy Authority) and British Aerospace, have all been examples of a rapid concentration of share ownership in the hands of a powerful minority. This gives the lie to the government's claim that it is offering the public a stake in private enterprise. Working people in Britain hold an insignificant number of shares, and where they might have an influence, via their pension funds, they remain powerless.

The bargain basement sale of public assets has led to other embarrassing situations for the government. The extremely low price of the shares in Amersham pulled in a record £1.75 billion in cheques for only £71 million of shares. Likewise the sale of £19.5 million of shares in Associated British Docks was over-subscribed 25 times—a deluge of between £440 million and £550 million of applications chasing £22 million of shares. Undervaluation has not been the only source of embarrassment. Britoil was as overpriced as ABD was underpriced. The government's attempts to sell the more important components of the former public stake in the riches of the North Sea (parts of which were the British National Oil Corporation) foundered due to the excessively high valuation placed on the company at a time of falling oil prices and a breaking up of the OPEC cartel.

Not that this faux pas seems to have discouraged the government. There exists a steady stream of State enterprises coming up for de-nationalisation. The Trustee Savings Bank, although not technically State-owned, is seen as a lucrative source of profit should its shares come on to the market. British Telecom constitutes the star prize not only for the big investors, but also for the multinational electronics corporations who are all looking forward to a slice of the action and super profits.

Drawing the lessons

In political terms the lessons which we can draw from these policies are clear. Whether in talking about selling British Telecom, or local authority privatisation, the tactics are all part of the Conservative strategy of restructuring British industry and the State in capitalism's favour. Importantly little practical or intellectual resistance is being put up to these developments. On the contrary there seems to be much popular support for privatisation, resulting no doubt from a strong ideological campaign which successfully builds on working people's 'anti-State' feelings. Feelings which arise out of people's bad experiences of an often 'uncaring State' (this holds as true for the social welfare claimants as it does for the victims of Gas Board 'error').

But centrally, privatisation is about the Tories' objective of restructuring capitalism in order to attempt to overcome Britain's profitability crisis. The Tory right is seeking to move the boundary between direct State provision and provision for private profit—expanding the area of the latter. In the local government sector, the central State has strongly encouraged subcontracting of services to private industry, introducing restrictive legislation on the operation of Direct Labour Organisation (DLOs) and commissioning reports on the possibilities of 'privatisation' (Coopers and Lybrand, 1981). This has been backed up by campaigns from the Adam Smith Institute (ASI) and others. In November 1982 the *Local Government Chronicle* and the CBI jointly organised a conference on contracting-out services and intend to produce a handbook on the subject (*Labour Research*, January 1983). Many Tory local authorities have been keen to take up the calls for privatisation. The main areas affected so far have been refuse collection and cleaning, and the DLOs, but the possibilities are endless. Liverpool City Council, for example, has plans to privatise the management of its Housing Department.

Contrary to the claims made by the Tories it is the workers in the local State who lose out—as consumers and as workers. As workers they are under pressure of job losses and encroachments on working practices and pay; working harder for lower earnings. Privatisation is one means of evading union controls and increasing exploitation. It enables the local authority to evade national collective bargaining agreements on pay and conditions. Where contractors have been used, they employ non-union labour and avoid restrictions on working practices. This is the source of the gains in 'efficiency' which accrue from the sub-contracting of services to the private sector.

The implications of this are taken up below as we proceed to examine the arguments for privatisation in orthodox economic theory. We then place the demands for privatisation in the context of the crisis of Keynesianism at the local State level and the Tory new right as an alternative for managing British capitalism. The main section of the booklet then examines privatisation in terms of its impact at the level of the local State, with particular attention being paid to the effect of privatisation on the labour force. The various arguments are brought together in the conclusion. Appendices are included which cover: the system of local government finance in Britain and the Whitley system of collective bargaining which operates in local government.

2: Orthodox Theory and the Public Sector

There are two different issues at stake for orthodox economic theory in relation to the public provision of goods and services. First, there is the issue of *finance*; should goods be paid for from tax revenue, with output politically determined, or should they be financed by user charges, with output determined by the market. Second, there is the issue of *production*; should goods or services be produced by directly employed State workers or by private companies. These two sets of alternatives give four different possible combinations of production and finance (Prest, 1982; Coopers and Lybrand, 1981).

Finance

In general, orthodox economic theory predicts that goods and services will be produced at an optimal level when *financed* via the price system, since people will only pay what the goods or services are 'worth' to them. But there are many cases of 'market failure' when this does not hold true: 'public goods' such as parks, which are consumed and benefit more than one person simultaneously; 'externalities' where production or consumption of a good affects other people either positively or negatively; and goods, such as public transport, where average costs are falling. In such cases there is a legitimate role for the government to use tax *finance* to produce the goods or services at a more optimal level. These are all issues of relevance to local government services: refuse collection and disposal both involve externalities in terms of the health hazards to others and to future generations if they are not adequately carried out. It has increasingly been argued, however, that a larger proportion of local government services should be financed by user charges (Committee of Enquiry, 1976; Foster *et al.* 1980; Coopers and Lybrand, 1981). All of this completely ignores the issue of provision on the basis of need rather than ability to pay, which is an important principle of public provision that should be defended.

Production

But whatever the form of *finance*, the goods or services may then be *produced* either directly or by sub-contracting to a private company. This is the issue involved in privatising local government services. But orthodox economic theory does not have very much to say about the relative merits of direct labour and private contractors. Rather it is the Tory ideologues, such as the Adam Smith Institute, to whom we must look for these arguments. They argue that the profit motive and the need to maintain custom leads to greater 'efficiency' in the private sector:

"It is the need for profit which keeps the private sector alert to consumer requirements, and the competition which keeps it both efficient and innovative. The public service, having no need to attract custom, no profitability requirements to pare its costs, and no competition to fear usurping its position, tends to operate in the interests of those who administer it" (Michael Forsyth, p. 1).

Indeed, Michael Forsyth has discovered "... an amazing thing called 'Savas's Law'":

"'Savas's Law' says that if you take the cost of any service when provided by direct labour, and divided it by the cost as provided by the private contractor, it always comes out the same: 5/2" (Butler and Pirie, p. 35).

But 'efficiency' and cost minimisation is no neutral term here. While new production techniques can be more 'efficient' by increasing output from given inputs or reducing inputs for a given output, costs may also be reduced at the expense of the workforce i.e. by increasing inputs of human labour without paying for it. Supporters of private contractors continually point to the lower staffing levels, longer hours and more flexible working practices in the private sector as a major source of greater 'efficiency', which is to the enormous benefit of ratepayers. Somehow, the workers who suffer to provide this 'efficiency' are seen as a totally different set of people to ratepayers.

The disadvantages of using contractors, from the perspective of orthodox theory, are twofold. First, there is the administrative cost of dealing with private contractors, sorting out tenders etc. Second, in the case of building work there are the future costs of repairs and

maintenance, which will be higher if work is skimmed in the interest of contractors' profits.

Michael Forsyth apparently has not grasped the distinction between arguments concerning the *financing* of a service, and arguments about *production*. Introduction of user charges is seen as a method of introducing market discipline on local authorities:

"Making a direct charge for services to the public is another route to economy. Again, it is a method which brings some of the disciplines of the private sector to local government. The charge not only raises offsetting revenue and acts to ration the service, it also provides a useful indicator of how much the service is demanded and appreciated." (Michael Forsyth, p.2).

Charging will only produce the optimal output and indicate how much the service is appreciated if the goods or service in question is a private one or if preferences are correctly revealed for a public good.

We shall see that poor pay and working conditions on the one hand, and skimping of work on the other, have indeed proved to be the major source of cost 'savings' in the private provision of local government services.

3: Consensus Keynesianism and the Local State

Until the mid-1970's, all post-war governments tended to implement policies in line with the historic compromise between capital and organized labour. The working class gained access to the Welfare State and a rising standard of living, but in return limited its demands within narrow economic and political boundaries, posing no fundamental challenge to the rights of capital.

At the *national* State level this led to an extension of government economic intervention through defensive nationalisation of key industries and utilities, the use of fiscal and monetary regulation, and attempts at both command and indicative planning. Politically, it led to the deployment of institutional arrangements aimed at integrating and incorporating organised labour.

The *local* State performs functions similar to those of the State in general; securing conditions favourable to capital accumulation (Cockburn, 1977; Saunders, 1980). Specifically, the local State is responsible for many functions of the Welfare State, which are concerned with the production of a fit and healthy workforce, which formerly fell almost solely on the family, and therefore on women.

Keynesianism was a balancing act, with the aim of maintaining growth—ensuring that capital accumulation was maintained—while at the same time offering the working class gains through rising real wages, a more equitable distribution of income and universal social welfare provision.

Notwithstanding the desire to ensure the best possible conditions for the extension and stabilisation of capitalism, local State provision constituted real gains for the working class—gains which recently certain sectors of organised labour have fought to defend. But those gains, along with the very stability and continuity of the overall system (social,

economic and political), have been steadily undermined both by a host of internal contradictions particular to the local State, and the irrevocable slide towards collapse of the British economy.

Crisis in the Local State

A whole range of factors have contributed to the undermining of the original Keynesian social welfare model of the local State, but some of the more crucial areas which can be identified are:

- the rising burden of wages in a sector of low productivity growth;
- the disjuncture between the professed social welfare aims of the local State and its actual domination by interest groups representing capital;
- the failure to provide any alternative organisation of services which might provide users with some control over services, but rather the creation of a burdensome and undemocratic structure, particularly where the power of the executive officers has usurped that of the elected representative;
- the allocation of Rate Support Grant (see Appendix) as a residual out of a falling national surplus, accompanied by a general belief that such expenditure is non-productive;
- the self-financing nature of the Welfare State places a rising tax burden on the working class, creating resistance to tax hikes and government spending *per se*, reinforced by their experiences of the State as inegalitarian and alienating;
- the resistance of capital to any extension of the local State and to its financial costs, especially as the crisis deepened. This pushed the burden even more heavily onto workers not only in terms of general tax pressures, but also specific pressures on workers in the local State.

Fundamentally, it has been within this latter area that many of the greatest problems arose.

It is *not only workers as a class* who have paid dearly for their access to State welfare services, it is *public sector workers in particular* who have had to face up to the State as *consumers, tax payers* and as *wage labour*. The persistent refusal of workers in the local State to passively accept onerous terms and conditions of employment has prevented them from paying fully for the adjustments needed to overcome respective State crises. The local State has become a major arena of conflict, spilling over into the political sphere and negating the very objective which the Welfare State sought to achieve—class harmony.

However, the refusal of capital to absorb the costs of adjustment which are needed to keep the local State viable, maintains the pressure on State workers to absorb those costs through low wages and high rates of exploitation. Both Conservative paternalism and Labour corporatism have foundered upon the unwillingness of these State workers to endure the hardships demanded of them. The former approach depended on a relatively compliant workforce, prepared to offer labour services 'beyond the call of duty', based on an appeal to civic pride, for little increased reward. Such a system depends on a minimising of antagonisms and a high trust relationship between workers and State. With the post-war expansion of the local State into an area of mass working class employment with poor pay and conditions, such an anachronistic system could not survive.

The system of managerial corporatism which gradually replaced paternalism had its origins in the reorganisation of local government after the war and that part of the settlement with Labour which allowed for full trade union recognition in much of the public sector. Institutional arrangements were created, based upon the Whitley Industrial Relations model (see Appendix), through which conflict could be channelled and contained (Somerton, 1977; Fairbrother, 1982). This highly centralised form of constitutional bargaining depended for its success on the trade union leadership being fully integrated into the bargaining structure and the membership being willing to accept the authority of their leaders. Workers had left the world of municipal subservience only to find themselves ensnared within the disarming mechanisms of corporate bargaining.

In many respects the system worked reasonably well up to the period of crisis in the 1960's. However, the idea that industrial relations problems could easily be controlled simply by pulling the appropriate institutional lever and deploying the correct managerial tactic took quite a knock with the upsurge of rank-and-file militancy in the 1960's.

While the union leaderships were perfectly prepared to accept the continuation of bargained compromises between parties of goodwill, the membership were not, because the compromises demanded of them were in fact sacrifices they were unable or unwilling to bear. Incorporation, like the system which preceded it, depends upon legitimacy, and failed to contain the conflict which emerged in the 1960's because it was essentially a system dependent on economic growth and an expanding local State sector. As the post-war Keynesian system of macro-economic regulation crumbled it took the local State with it. The former willingness of local State controllers to negotiate compromises was abandoned in favour of confrontation.

As the crisis within the local State deepened in the 1970's workers were subjected to wide-ranging attacks on their living standards and terms and conditions of service. On the wages front both official and unofficial incomes policies were used in an attempt to reduce wage costs: the impact on public sector workers of incomes policy in the 1960's was indeed a fundamental cause of the breakdown of the Whitley system of collective bargaining (Tarling and Wilkinson, 1977). Taylorist scientific management techniques became widely used as local State employers sought to increase efficiency through the intensification of work. However, these attempts at trying to overcome the crisis in the local State at the expense of its workers only succeeded in raising the level of conflict.

The refusal of State sector workers to accept falling real incomes and work intensification was central to the demise of the local State. The Whitley system of centralised national collective bargaining failed to contain industrial conflict. This led to the development of a system of collective bargaining based more upon the workplace. The development of rank-and-file based unionism made public sector industrial relations more uncertain and less predictable. This instability was matched by a tendency for public sector industrial relations conflicts to overflow into the political arena, as during the strikes of 1972 and 1974, and especially during the 1979 'winter of discontent'. Capital in turn became disenchanted with the whole social welfare enterprise, especially as the costs of this low productivity growth sector began to rise. Combined with the failure of Keynesian macro-economic policies and the crisis of profitability facing British capital, the extolled virtue of free market theory began to fall upon receptive ears. Privatisation fits neatly into such a scheme for rolling back the State and extending the discipline of the market.

4: The Political Economy of the Tory New Right

The 1979 Tory government came into power with a political, social and economic package of 'radical reform' clearly based on the ideas of Hayek, Friedman and Edmund Burke. In their programme they emphasised the importance of nation, liberty and freedom through law and the market: they also emphasised the importance of the family and traditional British virtues, standards etc. They laid greatest emphasis, in terms of policy aims, on the need to shrink the State sector; taking government out of people's lives, and moreover, proposing to liberate the market and individual workers from trade union tyranny.

They sought to undermine the strength of organised labour through the use of monetary policy and controls on public expenditure (cash ceilings at both central and local government levels), which meant increasing the impact of the world crisis, thereby forcing up unemployment to horrendous levels. The value of unemployment relief and supplementary benefit was reduced, with the aim of making labour lean and keen to seek work at whatever the level of wages. The idea was to free up the labour market by increasing workers feelings of insecurity, extending part-time working on inferior terms and conditions, introducing casualisation, and setting the non-unionised against the unionised, the unemployed against the employed. It is this sort of predatory system which the Tories view as the engine of growth, the driving force behind the virtuous spiral of enterprise, launching Britain into a universe of freedom, property, liberty and private market dominated economic growth. But for this to succeed it is seen as crucial that the State should be drastically reduced in size and that labour laws should be reconstituted to take government out of the labour market and force labour to become legally subservient to capital.

The Tories see the State as bureaucratically inefficient, and responsible for the misallocation of resources, which in turn stifles enterprise. Tory anti-State policies involve a break with the post-war consensus of a bargained corporatist compromise and social welfare capitalism. Their view of social welfare is that it is better handled by a mixture of family support, altruism, voluntarism and free enterprise insurance (i.e. sickness relief, pensions and medical care). The State should only underpin the system by providing a minimal social welfare net, whether in terms of social benefits, community welfare services or health care.

However, success in marketising either production or welfare services is seen to be crucially dependent on the Tories' ability to reduce the power of the unions. At one level they consider that the rolling back of the State will expose the sheltered internal labour markets of the State sector to the realities of competition through the market. Indeed many Tory ideologues put special emphasis on the need to root out trade union power in the State sector if the policy of attempting to restore the balance of industrial power in capital's overall favour is to stand a chance (see especially Dimbleby, 1981; Congdon, 1982).

But their labour policies don't stop there. Their central proposition is based on the premiss that industrial relations should be a matter for capital, labour and the law; like their classical forebearers they believe that the importance of the market is that it takes politics

out of economics. Hence the importance they place on introducing a framework of labour law (dealing with strikes, dismissal, picketing, the closed agency shop and union membership) which leaves the unions fully exposed to civil litigation triggered by the employer and the common law interpretations (of the lawfulness of trade disputes) of the judiciary. This is the objective of restricting the unions' immunities from civil torts.

Another key aspect of policy involves the abandonment of pay comparability systems (Clegg Commission and Civil Service Pay Research Unit). The Tories maintain that pay rates in central and local government should be determined by market worth. The actual and proposed cutback in minimum wage legislation, and fair wage provisions (Schedule 11, Employment Protection Act 1976; Fair Wages Resolution; Wages Councils) are a step in the same direction.

The importance of the Tory attacks on trade union regulation of internal and external labour markets is that it has the objective of destroying the consolidation of pay and terms and conditions of employment, with the objective of encouraging greater wage competition. They seek to foster the exploitation of the unregulated small firm sector of private capitalism, and in turn promote the sort of casualised labour market to be found in the construction sector (Moore, 1981).

Privatisation of the local State, if it were successful, would provide a practical working demonstration of Tory ideals, based on "freedom for all through the market" and "liberty guaranteed by private property".

Privatisation of services simultaneously fulfills two objectives for the State. In the first place, it extends the boundary of private capitalist production for profit. It is part of the general restructuring of the British economy and the State which, as we have seen, also includes selling off the profitable parts of the nationalised industries. Under the Tories central government has directly promoted the privatisation of local authority services: on the one hand through the 1980 Local Government Act with its strict control of Direct Labour Organisations (DLOs) and on the other hand by encouraging local authorities to privatise other services, commissioning reports and so on (Coopers and Lybrand, 1981). The most popular area so far for privatisation has been refuse collection and cleaning, with an existing contract industry. Local Authorities employ 46,000 employees in refuse collection and cleaning: 36,000 cleaners in offices and 134,000 school cleaners. The estimated value of this work for the contract cleaning industry is £5-600m p.a., while the current turnover of the entire contract cleaning industry is only £400m p.a. (Labour Party, 1982). Clearly privatisation is highly desirable for private profit. Secondly, it achieves changes in the internal organisation of the local State labour force.

5: Privatisation and the Labour Force

With the financial squeeze imposed on local authorities through the rate support grant system (see appendix), they have only two alternatives if they are to avoid either increasing rates or reducing services: either reorganise their own labour force to squeeze out more work for less pay; or get the private sector to do it by contracting out services, which may be an easier option. Lord Bellwin, Environment Under Secretary has spelt it out:

“... a reduction in the range or quality of services, or an increase in the rates, are not the only courses available. It is also possible for local government to become more efficient.

This requires an objective examination of all the variables which affect performance, including staff costs, manning levels, organization, management practice, accumulated restrictive practices and inefficient incentive bonus schemes.

In addition, it is important to examine the scope for the increased involvement of the private sector in the provision of local services” (Local Government *Chronicle*, 6 February 1981).

Local authorities’ direct labour force has always been characterised by permanent employment relationships, strong trades union organisation (67.9% of the labour force in Local Government and Education in 1974 was unionised—Bain and Price, 1980), and national negotiation of pay and conditions through the Whitley Councils (see appendix). The 1970s have seen growing militancy among local authority workers, with the development of shopfloor organisation around shop stewards and an outburst of strike activity. The 1978-79 ‘winter of discontent’ involved many local authority manual workers and directly prompted many local authorities to consider privatising services, as in the case of Southend:

“In addition to the previous attempts to remove task and finish, another important influence on members was the refuse collection strike of 1979, when Southend manual workers stayed out until the wage settlement was agreed, contrary to the general union approach” (Coopers and Lybrand, 1981).

Privatisation involves an evasion of trade union organisation and increased exploitation of the workforce. The contract cleaning industry generally employs non-union labour and private firms sub-contracted by the local authorities are not subject to the national Whitley agreements. The contract cleaning industry has been reported on by both ACAS and the Low Pay Unit for its poor pay and conditions of employment (ACAS, 1980; Jill Sullivan, 1977). The labour force is 85% women, mainly working less than 16 hours a week and therefore exempt from the Employment Protection Act. Their income is generally less than the threshold for National Insurance payments and so they have no rights to sick pay or unemployment pay (ACAS, 1980). The 1982 Employment Act makes it illegal for contracts to require union labour only and the government plans to abolish the Fair Wages Resolution, which has applied to contracts within the public sector since 1891.

The so-called greater ‘efficiency’ of the private sector has two aspects. Firstly, the technical aspect of efficiency embodied in more modern capital equipment and, secondly, a higher rate of exploitation of the workforce. The second aspect involves workers working longer hours and more intensively. In particular, for refuse collection, private contractors do not operate a ‘task and finish’ system, common to most local authorities.

Private industry has responded to unemployment and uncertainty by an increased casualisation of the labour force, increasing labour market flexibility. Local authorities also face a situation of uncertainty and decline in their ‘market’ and seek to evade the rigid institutionalisation of the direct labour force. Privatisation shifts all the uncertainty and responsibility for labour management onto the private sector:

“Through contracting out, a locality not only divests itself of the responsibility of

managing a workforce, it also places responsibility for labour relations directly on the shoulders of the private sector" (Eileen Brettler-Berenyi, *Governmental Finance*, March 1980).

Where the private contractor employs non-union labour with little or no employment protection, labour relations are a much easier matter than for the local authority dealing with its own direct labour force. The local authority is paying for a specified service when contracting out, rather than having to organise the workers directly to produce the service.

The most important areas for privatisation so far have been construction and maintenance of houses, schools and roads etc., and refuse collection and cleaning services.

Direct Labour Organisations

In October 1979, 532 of the 549 local authorities in Great Britain had a Direct Labour Organisation (DLO) of some kind, employed on construction and/or maintenance work, employing 158,757 operatives and 89,086 associated clerical workers (Labour Party, 1982). DLOs have existed since the 1890s to provide local authorities with a high standard of work for a reasonable price rather than being subject to the vagaries of the construction industry, and to ensure fair wages and trade union rights, while the private construction industry is characterised by casual employment and unsafe working conditions. Whenever there is a downturn in the building industry DLOs come under attack from the private building companies, since local authorities represent a substantial share of the market and DLOs are a centre of trade union organisation. Hackney alone, for example, spends over £5 million a year on maintenance and repair work (Rollo, 1982). After the collapse of the construction boom in the early 1970s a major campaign was launched by the National Federation of Building Trade Employers and by Aims of Industry to discredit DLOs.

The 1980 Local Government Act Part III, which came into operation in April 1981, introduced a new set of regulations on the operation of DLOs, essentially requiring them to operate as private companies competing for work. They are now required to keep commercial revenue accounts for each of four categories of work, which are all required to show a surplus unless in the previous financial year no more than thirty people were employed in a category (general highway works; other new construction works over £50,000; other new construction work under £50,000; and all other maintenance work).

The Secretary of State has the power to prescribe categories of work for which at least three tenders must be invited and made known to those interested. In the first year of operation these categories were: general highway works—all work over £100,000; sewerage works—all work over £50,000; other new works—all work over £50,000 and one third of work under £50,000; maintenance—all work over £10,000. As a result of strong pressures from the building industry, from October 1982, the threshold for highway works has been reduced to £50,000 and 30% of maintenance work below £10,000 must also be put out to tender. On December 15th 1982, local authority associations received a consultation paper from Mr John Stanley, the Housing Minister, proposing to force councils to put even more work out to competitive tender. He wants the proportion of house maintenance contracts below £10,000 which go out to tender to be increased from 30% to 60%, and housebuilding jobs below £50,000 going to compulsory tender to be increased from one-third to 60% (*Guardian*, December 16th, 1982). During the first year of operation, the definition of a 'job' was sufficiently loose that many local authorities could evade the tendering requirements.

This has now been tightened up to cover all work which can reasonably be carried out under one arrangement.

Each of the four accounts is required to show a prescribed rate of return on the capital on a current cost accounting basis. This is currently set at 5% which is much higher than the private construction industry can earn in the present recession. A survey of the local authorities carried out by the Institute of Local Government Studies in the summer of 1981, found that a significant number of authorities had disposed of plant, vehicles and depots in an attempt to meet the rate of return target, which in many cases may have adversely affected operational efficiency or the quality of services (Flynn and Walsh, 1982). In addition, the government is now insisting that local authorities continue to pay the 2½% National Insurance surcharge on their direct labour workers, while private employers' surcharge is being reduced to 1½%; hardly fair competition! (*Guardian*, December 16th 1982).

Each DLO must produce an annual report on its operations, which, from 1982, must identify contracts awarded to the DLO where it was not the lowest bid. The Secretary of State may also ask for a special report at any time and subsequently close it down if s/he is not satisfied with its performance e.g. because it is not earning the required rate of return. Another reason identified as possible grounds for closure is "unfair conditions of contract".

"The Secretaries of State have noted with concern and regret evidence submitted that . . . authorities have imposed requirements which must, in their view, deter contractors from responding to invitations to tender for these authorities' work, reduce competition and unnecessarily inflate the price of such tenders as contractors submit. They have noted and deplore in particular union-labour-only requirements and contract conditions . . .

The attention of authorities is therefore drawn to the provision that has been included in the current Employment Bill . . . Authorities are also reminded of the powers of the Secretaries of State to call for a special report from them on the DLO operations, at any time under the provisions of Section 17 of the Act." (DOE circular 6/82 pp. 4-5).

So DLOs are being squeezed from both sides; they have to competitively tender for work with the private sector firms employing non-union labour and operating in unsafe conditions and it is "unfair" of the local authority to require similar employment conditions from the private contractor as are standard in the DLO.

One of the main aims of the DLO legislation was to reduce local government employment. However, the INLOGOV survey found that:

" . . . there has been an expansion in the amount of work to be done in pre-inspection, estimating, supervision and management. This extra work has indeed resulted in the creation of new 'white-collar' posts at a time when the employment of manual workers has been declining" (Flynn and Walsh, 1982, p. 44).

Cleaning and Refuse Collection

Cleaning and refuse collection have been the main areas promoted for privatisation outside the DLO regulations. There is an existing contract cleaning industry, enjoying the advantages of a cheap part-time female labour force, ready to take up the lucrative field of local authority work, and to branch out from office and window cleaning into refuse

collection. Until the 1950s, most household refuse collection was done by direct labour, and during the '50s all major councils discarded remaining private contractors in favour of direct labour. In 1967 a government committee on refuse collection stated that "Local Authorities should not employ contractors to collect household refuse" (DoE, 1967). In 1978-79 only 15 local authorities employed contractors for *any* household refuse collection and generally only for a small percentage. Maldon was the most significant with 95% contracted out (*Hansard*, 1980). The 1979 dirty jobs strike was a significant turning point. Many local authorities brought in private contractors and began to think about doing it on a permanent basis. This was the case in Southend, which was the first major council to contract out its entire cleaning service in April 1981.

Southend council had been trying for several years to end the task and finish system for refuse workers and introduce new working practices for street cleaning. The failure of this, and the militancy of Southend workers in the 1979 strike, led the council to put the whole cleaning service up for tender in 1980. The contract was awarded to the Exclusive Cleaning Group on the basis of £492,920 'savings'; 20% of the previous cost. Such savings were achieved in three ways: by subsidies from the council in the form of cheap access to the depot and workshops; by increased charges for collection of trade and garden waste; and at the cost of the workforce (LRD, 1981, 1982; *New Statesman*, 1982). All staff (except five who became inspectors) and manual workers were made redundant and Exclusive employed 180 manual workers to do the same job as the 232 in the direct labour force (Labour Party, 1982). Significantly the nine union stewards were not taken on by Exclusive. Pay and conditions of employment have deteriorated for the workers, who have no trade union protection. While *average basic wages* have increased by 25%, there is no bonus scheme and no overtime pay for emergency services. Differentials have increased, so that *earnings* have only increased for HGV drivers and some refuse collectors, while the majority of workers earn less. Holiday and sickness pay and pensions are all significantly worse: holidays from 5 to 4 weeks, paid sick leave from the maximum of 26 weeks on full-pay and 26 weeks on half-pay down to 4 weeks on full-pay and 4 weeks on half-pay. Hours and intensity of work have both increased. Task and finish has been replaced by a standard 40/45 hour week. Each refuse collection gang has four instead of five loaders, and loads are three tons over the legal limits, for which proceedings are being taken (TGWU, 1981).

Following success at Southend, Exclusive paid for a £¼m. newspaper campaign, advertising the 'success' of Southend and the enormous benefits which could accrue from contracting out. In October 1981, they sent a letter to every councillor in the country guaranteeing at least 10% savings. Their campaign was backed by the ASI who produced two pamphlets and a manual explaining how to deal with private contractors. They held a one-day seminar, and sent out a 'privatisation pack' in March 1981, to 22,000 councillors. The government has strongly supported the privatisation drive and commissioned a report from Coopers and Lybrand on pricing and service delivery in local authorities. In November 1982 the Local Government *Chronicle* and the CBI jointly organised a conference on 'contracting out local government services', held at the exclusive Hyde Park Hotel in Knightsbridge. The conference was attended by delegates from the Department of the Environment and local councils at a cost of £70 per head to taxpayers and ratepayers. Auditors and representatives of the contract cleaning industry were also there in force (*Labour Research*, January 1983).

Other councils have followed the lead established by Southend. Wandsworth contracted out its street cleaning to Pritchards in February 1982. Again, 'savings' were achieved at the expense of the workforce. The same job is now done by 63 workers as previously employed 138. Only one of the old labour force was taken on and all labour is non-union. Task and finish has ended and workers must work any 5 days out of Monday to Saturday with no overtime pay. Workers have no national agreement or grievance procedure, and hence have significantly worse conditions than DL. Sick pay has been reduced from 6 months full-pay and 6 months half-pay to 4 weeks full-pay; holidays are 3 weeks instead of 5; and there is *no* pension scheme. With no trade union protection or grievance procedure, workers can be dismissed at a moment's notice; it is hardly surprising that absenteeism is so low! But however hard they work, such a reduced workforce is not capable of providing a full service. As one of Pritchards workers commented:

"... the distance we are supposed to sweep each day is enormous ... we have to rush from one area to another and a lot has to be skimped however hard we work" (Rollo, 1982).

In September 1982 Wandsworth's Director of Technical Services, Mr W. K. Butchers, presented a report to the council on Pritchard's first six months of operation. During a four week period in June/July 12% of the streets were not being "swept adequately, or indeed at all, in accordance with the contract schedule". The report concluded that the most important reason for this was:

"... the apparent lack of planning and training undertaken by the contractor and his reported practice of hiring and firing in a somewhat erratic manner" (Wandsworth B.C., 1982).

Other Areas

While privatisation has so far concentrated on DLOs and cleaning, the possibilities go much wider. Catering, with an existing contract industry, would be an obvious example, and has already been used in other parts of the public sector e.g. Ministry of Defence. Again, it is an industry which benefits from exploiting a particular segment of the labour force—cheap, unskilled, married women rather than qualified cooks (Craig *et al.* 1980). The LAMSAC 'Value for Money' studies quoted an example of a local authority bringing in contract caterers. A stated constraint in the pre-existing situation was:

"The conditions and rates of pay of staff were tied to nationally negotiated awards that took no account of local conditions in the catering trade" (LAMSAC, Example 9).

Again, the use of contractors provides a means of evading national agreements and shifts the burden of uncertainty and labour management onto the contractors. The contractor has to deal with any adjustment of employment and providing he offers some alternative will possibly not have to pay redundancy.

Other possible areas suggested by the ASI are computer services, architects, valuers, and solicitors departments, laundries, and abattoirs (Butler and Pirie, p. 41). Liverpool City Council is currently pushing ahead with plans to privatise the housing department.

There may be some areas, however, where it would not be profitable to contract out, because of trade union organisation in the contracting industry (e.g. printing and accountancy) where the council makes use of non-qualified workers who they can pay less.

Privatisation as a stick to beat the Unions

The alternative to privatisation, in terms of a strategy towards labour, is to increase the exploitation of the direct labour force. The *threat* of privatisation has been used as a stick to beat the unions in this respect, and private contractors have complained that they bear the cost of preparing tenders in this process (Coopers and Lybrand, 1981). In Rochford, following the manual workers' strike in 1979, the council approached both the unions and private contractors for schemes to 'improve' the refuse collection service. They decided to retain the in-house service, but with new methods of collection and a revised bonus scheme. Manning levels were reduced from 42 to 34 and task and finish ended; the number of rounds was reduced from 10 to 7 and the number of vehicles from 13 to 10. The new arrangements are estimated to have saved £123,940 in 1981/83. Bracknell and Barnet also introduced similar changes after going through the process of tendering.

6: Conclusions

The Tories base their economic policies on a free market philosophy which extends beyond monetarism. Accordingly they see privatisation as a means to achieving both a reduction in the size of the local State and a radical shift in power away from organised labour. If privatisation succeeds, the role of the State in local government will consist of simply transferring the preferences of the electorate into market transactions: local authorities would have the task of coordinating, specifying prices and standards and would cease to be a significant employer in their own right. This, in conjunction with changes in industrial relations legislation, would help in the creation of a labour market unfettered by trade union interference and consolidation.

In practice, however, the universal privatisation of the local State is fraught with problems—for neither the politics, economics nor practice of privatisation is particularly well founded. Furthermore, if the Tories are to succeed in their privatisation strategy they need to break not only the resistance of the trade unions, and certain sectors of capital, but also that of some local State officials and councillors, many of whom are Tory party members. However, it is at the theoretical level that the problems begin. Proponents of privatisation confuse issues of public *finance* with issues of public *production*, and argue in favour of the latter on spurious grounds of 'efficiency', while ignoring the future social costs of their policies and the fact that in practice they ensure that much of the working population is made worse off.

There are also failings in applying these theories. Privatisation is having a limited impact due to resistance from both local authorities and sectors of capital. Despite the fact that the Treasury is harassing local authorities to get rid of their directly employed workers, as part of cost cutting, and despite a minority of local authorities being prepared to accept almost any contract for privatisation as long as it limits rate rises and reduces short run costs, the general trend has not been that desired by the government. This resistance has led the Treasury minister Leon Brittan to threaten to take draconian measures against local government including the take-over by central government of spending functions which has exacerbated the political tensions between the central and local State. The threat of imposed central financial controls has raised the hostility of local councillors and officials, who

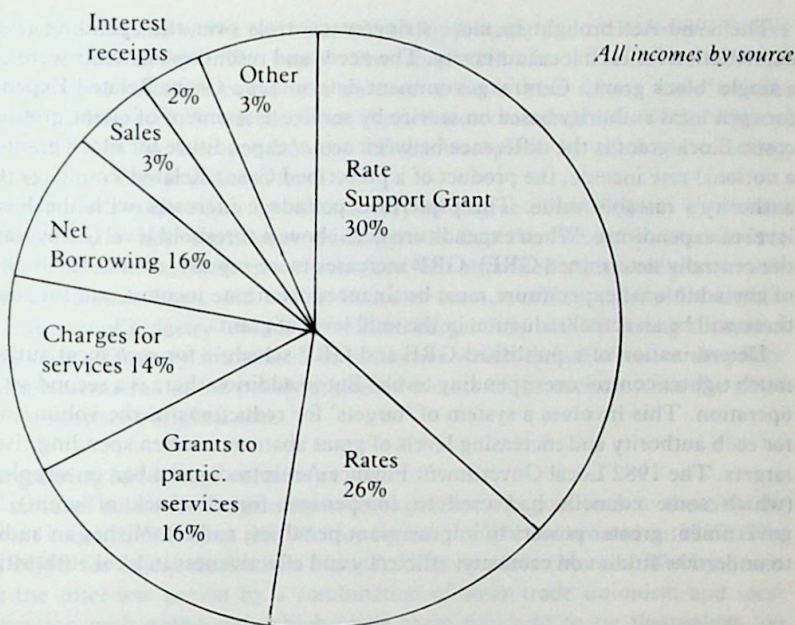
already display doubts as to the potential long-term savings of privatisation. Despite a massive propaganda campaign by the private contracting firms only a few local authorities have actually gone in for extensive privatisation. Some have shown that privatisation is actually more expensive. Many firms with existing contracts with the local State are also unhappy about privatisation; it upsets parochial forms of clientalism and patronage, while introducing market uncertainty. Also it is not always the case that capital willingly seeks the deregulation of the workplace and the labour market: since the last century capital has reluctantly come to accept the regulatory role played by trade unions, minimum wage legislation, health and safety laws, and anti-sweating statutes, because they prevent unfair competition.

Nonetheless, it is the trade unions who most fully appreciate the dangers of flexibility through privatisation. The unions only have to look at the construction and building industry to understand what the government is trying to achieve, and why privatisation features so predominantly in the rhetoric of free market economists. The idea is not to use market discipline as a threat, but as an actuality: "the lump properly managed, is a very effective institution" (Norman Tebbit quoted in *New Socialist*, May/June 1982). Free market theory depends crucially on the reduction of trade unions to the status of friendly societies. If this is to succeed then there is no better place to begin a drive against unions than in the highly unionised State sector. It is with this fear in mind that trade unions have set out to oppose privatisation. If they are successful in preventing deregulation of the labour market then the success of free market policies is problematic. If they fail, the large numbers of workers who, at present, are protected by comprehensive collective agreements will find themselves set free into the predatory jungle of an un-regulated private sector labour market. There workers will find themselves exploited as often casual, part-time non-unionised employees with no recognised negotiating or grievance procedures to protect them and with no consolidation of wages. The full costs of capital's restructuring through market competition will fall squarely on the working class.

However, the real alternative to 'marketisation' of public services, is not a simple defence of the bureaucratic structures of the Welfare State, as it has existed in the post-war period, but real collective provision under democratic control. The market gives 'liberty' to those of property and wealth, whereas alternative democratic structures, involving full citizen participation, give the possibility of control over services, so that 'public' services may actually serve the public need rather than private profit. Socialisation of production helps to end the artificial distinction between public sector workers and 'the ratepayers' and/or consumers of social welfare services, so beloved of the free marketeers. Democratic public provision, would for example, both produce houses under safe and stable employment conditions and *homes* which people wanted to live in.

Appendix 1: Local Government Finance in the United Kingdom

Local authorities receive their income from five main sources, as shown above in the pie chart.



Source: *Local Government Financial Statistics, England and Wales 1980/81*.

Rates are a tax on the notional rental value of property and are the local authorities' main independent source of finance. They also raise some money by charging for services such as swimming pools and laundries. But the main source of finance for current expenditure is grants from central government. The last ten years have seen many changes in the way that central government grants are determined, as they have increasingly tried to restrict the level of local government spending. Capital spending is mainly financed by borrowing, and is strictly determined by central government.

There are two stages to determining the level of rate support grant going to each local authority. First, the *total* amount of grant for *all* local authorities as a percentage of approved "relevant expenditure". This has been cut by: first, reducing the level of approved spending; second, by reducing the percentage support for that spending; and third, by the introduction, since 1976, of cash limits—upper limits on the level of inflation in costs that will be supported, determined prior to the financial year.

Second, the distribution of total RSG between individual local authorities is determined. Prior to the 1980 Local Government Act, this was determined in two parts, the 'needs' element, which gave more grant to authorities which had characteristics associated with high spending, and the 'resources' element which made up the differences between an authority's rateable value and a national standard rateable value, on the basis of the *actual* rate poundage levied by an authority. Both elements led to an increasing proportion of grant going to the high spending authorities (mainly urban, helping to ease the fiscal gap created by inner city decline).

The 1980 Act brought in more stringent controls over the spending levels and grant contribution for each local authority. The needs and resources elements were combined into a single 'block grant'. Central government determines a Grant Related Expenditure (GRE) for each local authority based on service by service assessment of client groups and average costs. Block grant is the difference between *actual* expenditure for block grant purposes and a notional rate income, the product of a prescribed Grant Related Poundage (GRP) and the authority's rateable value. The prescribed poundage increases with the local authority's level of expenditure. When expenditure goes above a threshold level (on average 10% above the centrally determined GRE), GRP increases more rapidly, so that the higher proportion of any additional expenditure must be financed from rate income, and for some authorities there will be an actual reduction in the total level of grant.

Determination of a published GRE and GRP schedule for *each* local authority involves much tighter control over spending levels. But in addition there is a second set of controls in operation. This involves a system of 'targets' for reductions in the volume of expenditure for each authority and increasing levels of grant abatement when spending rises above these targets. The 1982 Local Government Finance Act introduced a ban on supplementary rates (which some councils had used to compensate for clawback of grant), gives central government greater powers to impose grant penalties, and establishes an audit commission to undertake studies on economy, efficiency and effectiveness in local authorities.

Appendix 2: Whitleyism and Public Sector Employment

Origins of Whitleyism

Whitleyism as a collective bargaining system emerged in specific historical circumstances at the end of the First World War. It takes its name from the recommendations of a Committee set up in 1917 under the Chairpersonship of the Speaker of the House of Commons J. H. Whitley, whose brief was to:

- "1. Make and consider suggestions for securing a permanent improvement in the relations between employers and workmen;
and
2. To recommend means for securing that industrial conditions affecting the relations between employers and workmen shall be systematically reviewed by those concerned with a view to improving conditions in the future".

The impetus behind the setting up of the Whitley Committee came from the militant trade unionism and industrial unrest which had characterised the period at the end of the war. It was hoped that the Whitley Committee would come up with proposals capable of leading to the orderly resolution of industrial conflict.

The Committee produced a total of five reports up to 1918, although it was the first which was of practical significance. The main recommendation was that each industry should have an organisation which represented the interests of capital and labour, with the objective of securing the progress and well being of that industry, and, importantly, being capable of achieving industrial relations harmony. These national bodies were to consider

the establishment of local and works organisations to supplement and make more effective the work of the central bodies. The report also concluded that an effective national framework of industrial relations could only succeed if there were strong trade unions, integrated into that framework. It was also clear from the recommendations of the original report that the idea was to take conflict out of the workplace by resolving as many contentious issues as possible at national level.

The recommendations were taken up with a varying degree of enthusiasm in various industries. However, the most significant tendency was that the recommendations were almost totally rejected in those industries which were well organised along traditional trade union/employer association lines, and where, in many cases, conflict remained endemic. Whitleyism as a system of industry level or centralised bargaining, with its strong consensus orientation, was only effectively introduced in industries which lacked effective shopfloor organisation. Implementation in the poorly organised sectors of the economy was the polar opposite of the Committee's original aim.

Collective bargaining in local government

A system of national collective bargaining in local government goes back to the creation of a national joint council, following the Whitley format, which was created in 1919. The success of this NJIC for Local Authorities Non-Trading Services (Manual Workers) was limited during the inter-war period by a combination of weak trade unionism and local authorities' obsession with autonomy, which made them reluctant to tie themselves too closely into national collective bargaining machinery.

It was after the second world war that Whitley bargaining burgeoned throughout local government. In 1944 white collar workers were brought into the structure with the creation of the permanent national joint council for local authority administrative, professional and technical staff (APTCS). Importantly the success of these national joint councils depended upon growth in trade unionism, which was to some degree both facilitated and promoted by Statute in all fields of State employment; from the nationalised industries (gas, coal, docks, electricity, steel) across to public sector workers within local authority employment. However the emphasis was on a particular form of sanitised and passive trade unionism which fitted in with the character of this form of collective bargaining. The real weakness of collective bargaining in the State sector was its inherent tendency to over-centralise and over-bureaucratise industrial relations, which, more often than not created conflict which the system could not then contain—hence the perceived need for outside arbitration and conciliation.

As far as the mechanisms of the negotiation machinery are concerned all the national bodies follow a fairly general format. There is negotiating machinery covering wages disputes and grievances at national, provincial and local level. The national bodies agree on the overall terms and conditions for all employees in the appropriate government categories. The local authorities (i.e. Metropolitan and Non-Metropolitan Councils, District Councils, the GLC and the London Boroughs) tend to follow the terms of those agreements, while there remains some flexibility in the scheme, with space for more localised bargaining at the provincial and local levels. The introduction of various forms of corporate planning, scientific management, strategic planning and performance-linked payment systems encouraged further growth in local collective bargaining.

The employers side within this system is made up of the following associations of employing authorities:

The Association of County Councils (ACC)

The Association of Metropolitan Authorities (AMA)

The Association of District Councils (ADC)

The Convention of Scottish Local Authorities (COSLA)

The Local Authorities' Conditions of Service Advisory Board (LACSAB) provides industrial relations and manpower advisory services, acting as the employers' side secretariat on national negotiating committees.

Employees are represented by some sixty trade unions with very high levels of union density in almost all sectors. On the NJIC for Local Authorities Administrative Professional Technical and Clerical Staff for example, some half million employees are represented mainly by three unions: National and Local Government Officers Association (NALGO), GMBATU's Managerial Administrative, Technical and Supervisory Section (MATSA), and the National Union of Public Employees (NUPE). Likewise on the NJIC covering some one million manual workers the trade union side consists of the General Municipal Boilermakers and Allied Trades Union (GMBATU), NUPE and the Transport and General Workers Union (TGWU).

This structure of employer/employee representation is replicated at provincial council level, which is where matters referred by the main NJC's are interpreted, and recommendations to the NJC's in respect of issues arising within the provincial area are put forward. As well as handling disciplinary and grievance issues, which have come from the local joint consultative committees (JCCs), provincial councils also deal with such matters as local working practices, standby arrangements, plus pay rates and training schemes. Their importance is amplified by the fact that provincial councils deal with issues upon which there exists no national agreement.

Finally there is the lowest tier within the structure, the local JCCs. It is at this level that much of the conflict has occurred in recent years, over such issues as productivity and bonus schemes, job evaluation, demarcation, special leave and sickness, redundancy, redeployment, health, safety and employee welfare.

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